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STATE OF MONTANA
OFFICE OF THE CONSUMER COUNSEL
FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1993

PERFORMED UNDER CONTRACT BY:

JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT

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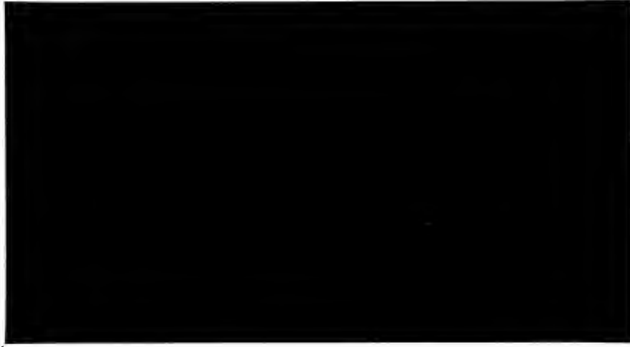
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OFFICE OF THE CONSUMER COUNSEL
FINANCIAL-COMPLIANCE AUDIT FOR THE
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STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

November 1993

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Consumer Counsel for
the two fiscal years ended June 30, 1993.

The audit was conducted by James J. Wosepka, CPA, under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

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ELECTED AND APPOINTED OFFICIALS
LEGISLATIVE CONSUMER COMMITTEE

1991-1993

SENATORS

Chester Blaylock
John Harp

REPRESENTATIVES

Joe Quilici
John Phillips (Resigned 1992)
Mike Foster (appointed 1993)

Consumer Counsel

Robert A. Nelson

INTRODUCTION

I performed a financial-compliance audit of the Office of Consumer Counsel for the two fiscal years ended June 30, 1993. The objectives of the audit were to: (1) determine if the financial schedules present fairly the Counsel's results of operations for the two fiscal years ended June 30, 1993; (2) determine if the Counsel complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the Counsel.

I thank the staff of the Consumer Counsel for their cooperation and assistance during my audit.

BACKGROUND

Article XIII of the Montana Constitution of 1972 created the Consumer Counsel giving it the responsibility of representing consumer interests in hearings before the Public Service Commission. The Consumer Counsel has the ability to initiate, intervene in, or participate in the proper proceedings in the courts or administrative agencies, on behalf of the Montana public interests. The Office of Consumer Counsel is funded by a Consumer Counsel tax that is assessed on all the regulated entities that are under the jurisdiction of the Public Service Commission.

INTERNAL CONTROL

I have examined the financial schedules of the Consumer Counsel for the two fiscal years ended June 30, 1993. I issued my opinion dated September 24, 1993 on these schedules. As part of my examination, I made a study and evaluation of the Counsel's control system. My study evaluated the system as required by generally accepted governmental auditing standards for financial compliance audits. I classified the controls in the following categories:

1. Expenditures/liabilities;
2. Property, plant, and equipment; and
3. Payroll.

My study included the control categories listed above. I applied alternative audit tests to property, plant, and equipment as I determined it was more efficient to expand substantive testing for this area. Through my study, I determined the nature, timing, and extent of my auditing procedures. I did not evaluate the control system to the extent necessary to give an opinion on either individual segments or system as a whole.

The management of the Office of Consumer Counsel is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related

cost of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of my study described in the first paragraph would not necessarily disclose all material weakness in the system. Accordingly, I do not express an opinion on the system of controls used by the Consumer Counsel.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of the document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The Office of Consumer Counsel was last audited for the fiscal years ending June 30, 1990 and 1991, under contract through the office of the Legislative Auditor. No audit recommendations were made.

CURRENT AUDIT RECOMMENDATIONS

None

STATE COMPLIANCE

I reviewed compliance with state laws that could have a material impact on the financial schedules of the Consumer Counsel. In my opinion, the Consumer Counsel complied with the state laws and regulations tested. Nothing came to my attention that causes me to believe untested compliance issues are not in accordance with applicable laws and regulations.

INDEPENDENT AUDITOR'S REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

JAMES J. WOSEPKA

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P.O. Box 249 • DICKINSON, ND 58601
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INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

I have audited the financial schedules of the Office of the Consumer Counsel for each of the two fiscal years ended June 30, 1992 and 1993, as listed in the table of contents. These financial schedules are the responsibility of the office's management. My responsibility is to express an opinion on these financial schedules based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the management, as well as evaluating the overall financial schedule presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1 to the financial schedules, the office's financial schedules are prepared in accordance with state accounting policy and are not intended to be a presentation in conformity with generally accepted accounting principles.

In my opinion, the financial schedules referred to in paragraph one present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Consumer Counsel for each of the two fiscal years ended June 30, 1992 and 1993, in conformity with the basis of accounting described in Note 1.



Baker, Montana
September 24, 1993

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1992

	<u>Special Revenue Funds</u>
FUND BALANCE: July 1, 1991	\$ <u>556,269</u>
ADDITIONS	
Cash Transfers In	842,960
Prior Year Expenditure Adjustments	<u>408</u>
Total Additions	<u>843,368</u>
REDUCTIONS	
Budgeted Expenditures & Transfers Out	<u>621,849</u>
Total Reductions	<u>621,849</u>
FUND BALANCE: June 30, 1992	\$ <u>777,788</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7, 8 and 9.

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	<u>Special Revenue Funds</u>
FUND BALANCE: July 1, 1992	\$ <u>777,788</u>
ADDITIONS	
Cash Transfers In	454,839
Prior Year Expenditure Adjustments	<u>1,533</u>
Total Additions	<u>456,372</u>
REDUCTIONS	
Budgeted Expenditures & Transfers Out	<u>635,703</u>
Total Reductions	<u>635,703</u>
FUND BALANCE: June 30, 1993	\$ <u>598,457</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7, 8 and 9.

CONSUMER COUNSEL
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT AND FUND BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 1993

	<u>1992</u>	<u>1993</u>
	<u>Administration</u>	<u>Administration</u>
PERSONAL SERVICES		
Salaries	\$ 180,945	\$ 208,503
Hourly Wages		1,066
Employee Benefits	<u>35,063</u>	<u>42,053</u>
Total	<u>216,008</u>	<u>251,622</u>
OPERATING EXPENSES		
Other Services	340,708	311,130
Supplies & Materials	1,580	3,888
Communications	9,550	9,175
Travel	27,328	25,295
Rent	9,000	9,000
Repair & Maintenance	2,173	2,778
Other Expenses	<u>9,836</u>	<u>9,379</u>
Total	<u>400,175</u>	<u>370,645</u>
EQUIPMENT AND INTANGIBLE ASSETS		
Equipment	5,496	12,894
Intangible Assets	<u>170</u>	<u>542</u>
Total	<u>5,666</u>	<u>13,436</u>
TOTAL PROGRAM EXPENDITURES	\$ <u>621,849</u>	\$ <u>635,703</u>
SPECIAL REVENUE FUND		
Budgeted	\$ 919,549	\$ 946,842
Actual	<u>621,849</u>	<u>635,703</u>
Unspent Budget Authority	\$ <u>297,700</u>	\$ <u>311,139</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7, 8 and 9.

OFFICE OF THE
CONSUMER COUNSEL

NOTES TO THE FINANCIAL SCHEDULES
JUNE 30, 1992 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Consumer Counsel utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.
- Obligations for employees' vested leave and sick leave are recorded as expenditures when paid.

Basis of Presentation

The financial schedules were prepared from Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the Consumer Counsel:

Special Revenue - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Legislative appropriation is required to spend from this fund.

Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick

OFFICE OF THE
CONSUMER COUNSEL

NOTES TO THE FINANCIAL SCHEDULES (CONT.)
JUNE 30, 1992 AND 1993

Vacation and Sick Leave (cont.)

leave are not reflected in the financial schedules of the Consumer Counsel. Expenditures for termination pay are currently absorbed in the annual operational costs of the counsel. At June 30, 1992 and 1993, the counsel had liability for compensated absences of \$25,813 and \$28,975 respectively.

2. PENSION PLAN

Employees are covered by Montana Public Employees' Retirement System (PERS). The Consumer Counsel's contributions to the plan are shown below:

Fiscal Year	Fiscal Year
<u>1992</u>	<u>1993</u>
\$ 11,409	\$ 13,597

3. OPERATING LEASE

The Consumer Counsel had a lease agreement for office space under an operating lease that expired June 30, 1993. Total rental expense under the lease is as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
1992	\$ 9,000
1993	9,000

A new lease for office space is for two years ending June 30, 1995.

Minimum future rental payments under the lease are:

Year Ended	
<u>June 30</u>	<u>Amount</u>
1994	\$ 10,644
1995	<u>10,644</u>
Total minimum future rental payments	\$ <u>21,288</u>

OFFICE OF THE
CONSUMER COUNSEL

NOTES TO THE FINANCIAL SCHEDULES (CONT.)
JUNE 30, 1992 AND 1993

4. BUDGET

The budget for each year included a contingency appropriation of \$100,000 for unanticipated cases.

AGENCY RESPONSES

Montana Consumer Counsel



Robert A. Nelson

Consumer Counsel

Frank E. Buckley, *Rate Analyst*

John B. Bushnell, *Economist*

Mary Wright, *Attorney*

Celia Farlan, *Secretary*

Telephone: (406) 444-2771

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34 W. Sixth Avenue

P.O. Box 201703

Helena, Montana 59620-1703

October 19, 1993

Mr. James J. Wosepka, CPA

PO Box 602

Baker MT 59313

Dear Mr. Wosepka,

We have reviewed your draft Financial Compliance Audit for the two fiscal years ended June 30, 1993 concerning our financial schedules, and have no comments or exceptions to your report.

Your advance instructions were very helpful, and I would like to take this opportunity to thank you for minimizing the burden placed on our staff in conducting the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert A. Nelson".

Robert A. Nelson

Montana Consumer Counsel



